This is not substantive investment research or a research recommendation, as it does not constitute substantive research or analysis. This material should be considered as general market commentary.

The Midas touch-and-go

Why gold is having something of an identity crisis.

Jo Groves Jo@keplerpartners.com

The affliction du jour seems to be a full-blown identity crisis, preferably with some sort of journey thrown in for good measure. You might think WeWork is simply a collection of desks with a decent coffee machine, but its rather more existential mission is "to elevate the world's consciousness". Pop into Subway for a quick sarnie at lunch and you'll find yourself in the hands of a "sandwich artist". But the prize surely goes to Jaguar, whose avant-garde rebrand managed the remarkable feat of featuring no cars whatsoever, while serving up a veritable word salad of "living vivid" and "copying nothing".

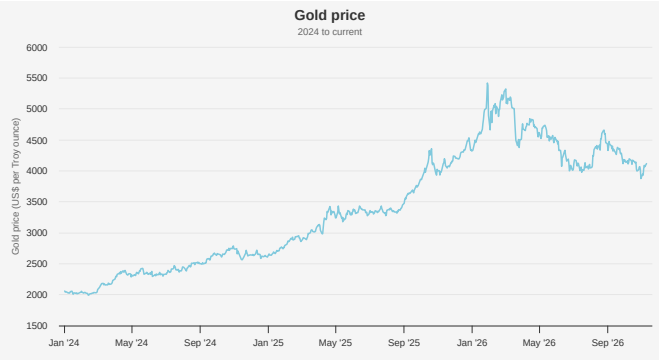
Which brings us to gold, in the midst of somewhat of an identity crisis of its own. Let's face it, 2026 should have been right up its street. Another conflict in the Middle East, an inflation genie refusing to climb back into the bottle and a bruising global tech sell-off would normally have investors piling into bullion.

So why has it spent this year doing pretty much the opposite?

Pride comes before a fall

To be fair, gold was probably due a breather. Having notched up close to 100 record highs in 2024 and 2025, it entered 2026 with an aura of near-invincibility, reaching an intraday high of almost $5,600 in late January. Then came a painful reality check, with a near-10% fall in a single session as investors digested the prospect of a more hawkish Federal Reserve chair, rising bond yields and a chunky dose of profit-taking.

Gold prices have slipped this year



Source: Bloomberg (as at 09/11/2026)
Past performance is not a reliable indicator of future results

But the correction is only part of the story. The real conundrum is why gold has struggled to capitalise on so many of the conditions that would normally have investors flocking to a supposed safe haven.

Take the conflict in Iran: viewed through one lens, it was a textbook reason to buy gold as investors sought shelter from geopolitical uncertainty. Viewed through another, it pushed up energy prices, fuelled inflation concerns and raised the prospect of higher-for-longer interest rates. All of which made the US dollar and bonds more attractive options than an asset that pays neither interest nor a dividend.

In fairness, that didn't much matter when interest rates were close to zero and income-producing assets offered less in the way of competition. But investors wanting to sit out the current equity market gyrations can earn a decent return from government bonds while they wait for calmer waters. That's left gold in something of a no-man's land between a safe haven and a yield-free relic.

This is not substantive investment research or a research recommendation, as it does not constitute substantive research or analysis. This material should be considered as general market commentary.

The only way is up?

So what might 2027 have in store? Perhaps the obvious starting point is central bank demand. Official institutions have been among gold's most consistent buyers in recent years, treating it less as a trade and more as geopolitical insurance against over-reliance on the US dollar.

Central banks in emerging markets, particularly in China, still have ample headroom to increase their holdings. Indeed, the World Gold Council's latest survey revealed that almost 90% of central banks expect global gold reserves to increase over the next year, with almost half intending to increase their own holdings.

But central banks won't buy regardless of price, as we saw this year, when purchases fell off a cliff during the first quarter while prices sat at record levels, before increasing fivefold in the following quarter after gold's retreat. Central banks may provide support during periods of weakness, but another rapid rise could once again temper their enthusiasm.

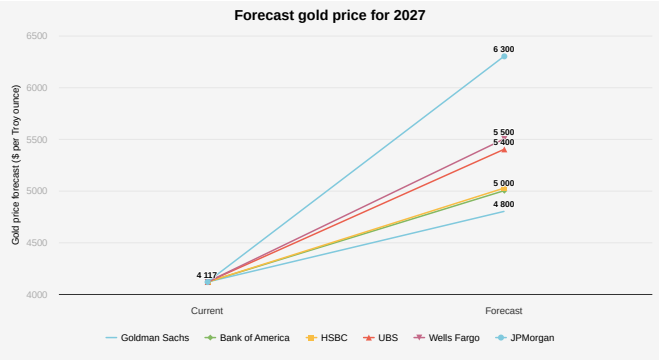
That leaves private investors as potentially the more important swing factor and perhaps the biggest advocates of gold as a safe-haven asset. And gold ETFs offer an easy way to gain exposure without having to walk around hiding a rapper-esque necklace under your quarter-zip. Global ETF flows may have dipped into the red as prices tumbled, but cumulative inflows at the ten-month mark were still the third highest on record, with UK and Chinese investors leading the charge.

That's certainly an encouraging sign for the bulls, with concerns about mounting government debt and currency debasement, alongside ongoing geopolitical tensions, all playing into gold's appeal. Lower interest rates would also reduce the opportunity cost of holding an income-less asset.

But if inflation proves sticky, bond yields remain elevated and the US dollar strengthens, gold will face stiffer competition from assets offering an attractive income stream. Private investors can also be quicker to hit the sell button if momentum turns, and with high prices putting off jewellery buyers, investment demand will have to do much of the heavy lifting. That leaves gold looking increasingly vulnerable to shifts in investor sentiment.

So where do the experts think prices are heading? Most forecasters still expect gold to rise next year, but there is a significant divergence in their predictions, from gains of around 20% at the cautious end to 50% at the top.

Gold prices are forecast to head up again



Source: Bank forecasts

Past performance is not a reliable indicator of future results.

The most optimistic outlook assumes central bank demand remains strong, private investors continue buying and the Federal Reserve embarks on a meaningful easing cycle towards the end of next year. None of this is impossible, but it does require quite a lot of stars to align.

Finding your Goldilocks

For investors looking for gold exposure, the question is how best to access the opportunity.

BlackRock World Mining Trust (BRWM) offers one route, investing in mining companies with the flexibility to allocate capital across precious and industrial metals rather than tying its fortunes to a single commodity. Its sizeable gold exposure has helped to support a five-year total return of more than 100%, although managers have trimmed the gold allocation this year. Copper remains another important part of the story, supported by demand from data centres and the energy transition.

Ruffer Investment Company (RICA) takes a different approach, with gold equities making up a small part of a broader, defensive multi-asset strategy designed to protect capital through market cycles. The managers have reduced their gold exposure following the rally, but remain

constructive on the longer-term outlook, with the caveat that gold's correlation to bonds and equities, on occasion, can limit its usefulness as a diversifier.

Gold may be having an identity crisis, but perhaps that's because investors are expecting it to wear too many hats. Safe haven? Inflation hedge? Crisis insurance? Portfolio diversifier? Even a hedge against governments themselves?

All perfectly reasonable demands, but they don't necessarily make good bedfellows.

That means the question for 2027 may be less whether gold can rediscover its identity and more which version investors are prepared to pay for.

All data as at 10 November 2026 unless stated otherwise, returns based on share price total returns.

Disclaimer

Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise and you may get back less than you invested when you decide to sell your investments. It is strongly recommended that if you are a private investor independent financial advice should be taken before making any investment or financial decision.

Kepler Partners is not authorised to make recommendations to retail clients. This report has been issued by Kepler Partners LLP, is based on factual information only, is solely for information purposes only and any views contained in it must not be construed as investment or tax advice or a recommendation to buy, sell or take any action in relation to any investment.

The information provided on this website is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Kepler Partners LLP to any registration requirement within such jurisdiction or country. In particular, this website is exclusively for non-US Persons. Persons who access this information are required to inform themselves and to comply with any such restrictions.

The information contained in this website is not intended to constitute, and should not be construed as, investment advice. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise. Any views and opinions, whilst given in good faith, are subject to change without notice.

This is not an official confirmation of terms and is not a recommendation, offer or solicitation to buy or sell or take any action in relation to any investment mentioned herein. Any prices or quotations contained herein are indicative only.

Kepler Partners LLP (including its partners, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, but will at all times be subject to restrictions imposed by the firm's internal rules. A copy of the firm's Conflict of Interest policy is available on request.

PLEASE SEE ALSO OUR TERMS AND CONDITIONS

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 480590), registered in England and Wales at 70 Conduit Street, London W1S 2GF with registered number OC334771.